

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA – SACRAMENTO DIVISION

PHILIP MORRIS USA INC.,

Plaintiff,

v.

DUC C. DUONG, *et al.*,

Defendants.

Case No.: S-03-0825 (WBS)

**[PROPOSED] CONSENT
JUDGMENT AND PERMANENT
INJUNCTION AS TO DEFENDANT
DIANA NGUYEN, INDIVIDUALLY
AND DOING BUSINESS AS 98
MARKET**

Plaintiff Philip Morris USA Inc. (“Philip Morris USA”) and Defendant Diana Nguyen, individually and doing business as 98 Market (“Defendant”), having settled this action on the terms and conditions stated herein, it is hereby ORDERED, ADJUDGED and DECREED as follows:

1. This is an action for: (i) infringement of registered trademarks in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114; (ii) false designation of origin and trademark and trade dress infringement in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); and (iii) unfair competition in violation of the common law of the State of California. This Court has personal jurisdiction over Philip Morris USA and Defendant, and subject matter jurisdiction of the matter in

1 controversy between Philip Morris USA and Defendant. Venue in this judicial
2 district is proper.

3 2. Defendant waives any objections she may have regarding sufficiency of
4 process or the sufficiency of service of process in this action.

5 3. Philip Morris USA manufactures cigarettes, including the famous
6 MARLBORO® brand, for sale in the United States. Philip Morris USA is the
7 registered owner of the following MARLBORO® and MARLBORO®-related
8 trademarks on the Principal Register of the United States Patent and Trademark
9 Office, all of which are valid, subsisting and incontestable pursuant to 15 U.S.C.
10 § 1065 (collectively “Philip Morris USA Marks”):

Registration Number	Date Registered
68,502	April 14, 1908
938,510	July 25, 1972
1,039,412	May 11, 1976
1,039,413	May 11, 1976

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17 4. Philip Morris USA has spent substantial time, effort, and money
18 advertising and promoting the Philip Morris USA Marks throughout the United
19 States, and these marks have consequently developed significant goodwill, have
20 become distinctive, and have acquired secondary meaning. As a result of the sale of
21 counterfeit MARLBORO® and/or MARLBORO LIGHTS® cigarettes, Philip Morris
22 USA is suffering a loss of the enormous goodwill associated with the Philip Morris
23 USA Marks, and is losing profits from lost sales of genuine products.

24 5. Beginning in or about January 2003, and subsequent to Philip Morris
25 USA’s adoption and first use of the Philip Morris USA Marks, Defendant offered for
26 sale and sold to the general public counterfeit MARLBORO® and/or MARLBORO
27 LIGHTS® brand cigarettes.
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1 6. In the Complaint filed with this Court on April 22, 2003, Philip Morris
2 USA alleged that Defendant's offering for sale and sale of counterfeit
3 MARLBORO® and/or MARLBORO LIGHTS® brand cigarettes constitutes
4 trademark and trade dress infringement, false designation of origin, unfair
5 competition, and related violations of Philip Morris USA's rights in the Philip Morris
6 USA Marks under the Lanham Act and state law. Philip Morris USA sought both
7 injunctive relief and monetary damages.

8 7. Since the filing of the Complaint, Philip Morris USA and Defendant
9 have agreed to a full and final settlement of this action as contained herein and have
10 agreed to the entry of this Consent Judgment and Permanent Injunction.

11 Accordingly, it is hereby **ORDERED** that Defendant, and its officers, agents,
12 servants, employees, and attorneys, and all persons in active concert or participation
13 with it, are hereby permanently enjoined from

14 (i) purchasing, selling, offering for sale, or otherwise using in commerce
15 any counterfeit MARLBORO® and/or MARLBORO LIGHTS® brand
16 cigarettes;

17 (ii) assisting, aiding or abetting any other person or entity in purchasing,
18 selling, offering for sale, or otherwise using in commerce any counterfeit
19 MARLBORO® and/or MARLBORO LIGHTS® brand cigarettes; and

20 (iii) interfering with or impeding the inspections authorized by Paragraph
21 8(a) hereof in any way.

22 8. Defendant further agrees to cooperate in good faith with Philip Morris
23 USA in any further investigation of this matter, including but not limited to (a)
24 permitting representatives of Philip Morris USA to conduct inspections, without
25 notice, of Defendant's inventory of cigarettes to determine whether any cigarettes
26 bearing the MARLBORO® and/or MARLBORO LIGHTS® mark are counterfeit
27 (such inspections may proceed at any Defendant retail outlet between the hours of
28 9:00 a.m. and 5:00 p.m. on any day Defendant is open for business) and to take

1 possession of any such MARLBORO® and/or MARLBORO LIGHTS® brand
2 cigarettes Philip Morris USA or its representatives determine to be counterfeit; (b)
3 responding to reasonable requests for information about Defendant's suppliers of
4 MARLBORO® and/or MARLBORO LIGHTS® cigarettes; and (c) cooperating with
5 Philip Morris USA's representatives in their investigations of any suppliers of
6 MARLBORO® and/or MARLBORO LIGHTS® cigarettes.

7 9. The terms of this Consent Judgment and Permanent Injunction shall be
8 enforceable against Defendant and any persons working in concert with him or her
9 and any retail outlet Defendant and/or such persons may own or operate now or in the
10 future.

11 10. Defendant agrees to waive all claims in this action against Philip Morris
12 USA with prejudice, whether they are asserted or not. All claims asserted in this
13 action by Philip Morris USA for monetary recovery from Defendant are resolved by
14 Defendant's payment of \$5,000.00. There being no just reason for delay, the entry of
15 this consent judgment by the United States District Court constitutes entry of final
16 judgment as to all remaining claims asserted in this action by Philip Morris USA
17 against Defendant pursuant to Federal Rule of Civil Procedure 54(b). Philip Morris
18 USA and Defendant will each bear their own costs and attorneys' fees. Upon entry
19 of this Consent Judgment and Permanent Injunction, any bond or undertaking Philip
20 Morris USA has filed in this action as to Defendant shall be deemed exonerated and
21 the original of such bond or undertaking shall be returned to Philip Morris USA.

22 11. With regard to the release set forth above, Defendant expressly waives
23 the provisions of California Civil Code Section 1542, and any similar law, statute or
24 policy. California Civil Code Section 1542 states as follows:

25 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE
26 CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR
27 AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY
28 HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH
THE DEBTOR.

1 Defendant understands and acknowledges the significance and the
2 consequences of this waiver of California Civil Code Section 1542 and confirms that
3 he or she has either discussed or been given an opportunity to discuss such matters
4 and all of the provisions of this Consent Judgment and Permanent Injunction with
5 counsel of his or her choice.

6 12. The Court shall retain jurisdiction to enforce this Consent Judgment and
7 Permanent Injunction. If Defendant shall be alleged to have breached the terms of
8 this Consent Judgment and Permanent Injunction, Philip Morris USA shall have the
9 right to reopen this matter upon motion filed and heard on an expedited basis,
10 including by *ex parte* application. If this matter is so reopened, Philip Morris USA
11 may pursue any and all remedies it may have against Defendant in addition to
12 liquidated damages as set forth below.

13 13. Philip Morris USA has entered this Consent Judgment in material
14 reliance on Defendant's representations as to the sources from which it has purchased
15 the cigarettes sold at its retail outlet since January 2003. If Philip Morris USA
16 determines in good faith that Defendant has materially misrepresented the sources
17 from which it purchased cigarettes during this time period, or if Defendant has failed
18 to identify any of its cigarette suppliers for this time period, such misrepresentation
19 and/or omission shall constitute a material breach of this Consent Judgment and
20 Permanent Injunction and the terms hereof shall be null and void except that
21 Defendant shall remain permanently enjoined by the provisions of Paragraphs 7 and
22 8 hereof, and shall be liable for liquidated damages pursuant to the terms of
23 Paragraph 14(iii). In that event, Philip Morris USA shall have the right to reopen this
24 matter upon motion filed and heard on an expedited basis, including by *ex parte*
25 application. If this matter is so reopened, Philip Morris USA may pursue any and all
26 non-monetary remedies it may have against Defendant, in addition to liquidated
27 damages as set forth below and shall also be entitled to recover its attorneys' fees and
28 costs for any further prosecution of this action.

14. The parties recognize and acknowledge that it would be impractical or very difficult to determine or fix the amount of damages that would be sustained as a result of a breach of this Consent Judgment and Permanent Injunction by Defendant. Accordingly, after making a reasonable endeavor to arrive at the amount that would be an approximation of the damages that would or might be sustained in the event of a breach, the parties hereto agree to fix said amount of liquidated damages in the sum of (i) \$500.00 per day for breach of Defendant's obligation to cooperate in good faith with Philip Morris USA's investigative efforts, as set forth in Paragraph 8, and accruing after Philip Morris provides reasonable notice to Defendant of the breach; and (ii) \$500.00 for the first occasion on which Philip Morris USA confirms that Defendant has sold counterfeit MARLBORO® or MARLBORO LIGHTS® brand cigarettes after this Consent Judgment and Permanent Injunction is entered, with the monetary damages to double for each subsequent occasion on which a sale of counterfeit product is confirmed (*e.g.*, \$1,000.00 for the second occasion, \$2,000.00 for the third occasion, *etc.*), except that if Philip Morris USA discovers 10 cartons or more of counterfeit MARLBORO® or MARLBORO LIGHTS® cigarettes in the combined inventory of one or more of Defendant's retail outlets in any inspection conducted within 90 days of the date on which cigarettes purchased at any of Defendant's retail outlets are confirmed as counterfeit, the amount of liquidated damages shall be multiplied by 10 (*e.g.*, on the first such occasion, \$5,000; on the second such occasion, \$10,000, *etc.*) with any liquidated damages recovery capped at \$100,000; and (iii) in the event Defendant has materially misrepresented the sources from which it has purchased cigarettes since July 2005, and/or failed to identify any of its cigarette suppliers during this time period in violation of Paragraph 13 hereof, \$500.00 per day from the date this Consent Judgment and Permanent Injunction is entered, to the date Philip Morris USA learns of the misrepresentation and/or omission.

1 15. Accordingly, in the event that Defendant breaches this Consent
2 Judgment and Permanent Injunction as set forth above, which breach shall be
3 determined on the basis of such proof as Philip Morris USA shall present to the
4 Court, then Defendant shall be obligated to pay to Philip Morris USA liquidated
5 damages in the amounts set forth above. Upon the entry of an Order of this Court
6 that Defendant has committed such a breach, Philip Morris USA shall be entitled to
7 enforce the Court's Order, including by Writ of Execution.

8 16. Each of the parties acknowledges and represents that it has fully
9 considered the effect of this provision for liquidated damages.

10 DATED: October 23, 2007

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13 WILLIAM B. SHUBB
14 UNITED STATES DISTRICT JUDGE
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1 The individuals executing this Judgment represent or confirm that they are
2 duly authorized to do so, and are similarly authorized to bind each of the signatories
3 to this Judgment.

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5 CONSENTED TO:

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7 DATED: 10/17/2007

8 /s/ Anna S. McLean

9 Anna S. McLean
10 HELLER EHRMAN LLP
11 333 Bush Street
San Francisco, CA 94101

12 Telephone: (415) 772-6000
13 Facsimile: (415) 772-6268

14 Counsel for Plaintiff Philip Morris USA
15 Inc.

16 APPROVED AS TO FORM,

17 DATED: 10/16/2007

18 /s/ Donald L. Vance

19 Donald L. Vance
20 Law Offices of Donald L. Vance
21 821 Thirteenth Street
Suite G
22 Modesto, CA 95353
23 (915) 680-9388

24 Counsel for Defendant Diana Nguyen,
25 individually and doing business as 98 Market
26
27
28

DATED: 10/16/2007

/s/ Diana Nguyen

Diana Nguyen, individually and
doing business as 98 Market
201 H Street
Modesto, CA 95351